THE POWER OF ONE:

How an Integrated ERP System Supports Growing Health Care Management Organizations

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As health care management organizations expand, the need for industry-specific technology applications is growing. Here's how Nolan Business Solutions and NetSuite converge to provide the perfect solution.

The health care industry has very specific needs when it comes to technology and digitalization. Physician offices, clinics and provider staffing companies often fall under the umbrella of larger "health care management" organizations, which serve as holding companies for a myriad of medical service providers.

The need for consolidation within these health care management organizations makes accounting management, payroll administration, invoicing and other financial tasks especially challenging. Their accounting processes are generally very different from those used in other industries. For example, health care providers must manage patient co-pays and many different negotiated rates for various payers.

Nolan and NetSuite offer a company the ability to structure their business processes in a streamlined and easy-to-integrate way.

This white paper explores health care management organization trends, show the challenges these entities face when they join forces, and demonstrates how a unified cloud ERP can help streamline operations while also saving time and enhancing revenues for health care providers.

TABLE OF CONTENTS

CREATING SCALE IN HEALTH CARE

With names like USMD Holdings, Questcare Partners, VEP Health care and Confluent Health, holding companies for medical services (or "health care management companies") specialize in acquiring, operating and managing medical service providers. Focused on attaining economies of scale, negotiating better rates with insurance companies and providing a wider range of patient services, these companies typically manage multiple hospital services, physicians' offices and treatment centers within a single corporate structure.

As these health care management companies grow, their technology infrastructures become more geographically spread out and detached from one another. For example, a medical service provider may have a long-range plan to partner with small doctors' offices, at which point those doctors become partial owners of the health care management company. This not only creates economies of scale on the procurement and insurance side of the business but it also supports population health models (i.e., a general medical practice that also includes a pediatrician can refer younger patients to the pediatrician within their system).

While there are many positives associated with merging multiple health care providers into a single entity, health care management companies face unique challenges in integrating independent clinics to their corporate portfolios. Most acquired companies are small to midsize practices and use platforms like QuickBooks for basic accounting functions, back-office management and reporting. Others rely heavily on Excel spreadsheets.

"We've seen some health care management organizations using 20+ different instances of QuickBooks," said Diana Dunphy, a NetSuite Consultant with Nolan Business Solutions. "That's because when a health care management organization buys a new entity, that entity still needs a legal ID in order to run its individual financial statements."

By consolidating those activities and files onto a single, cloud enterprise resource planning (ERP) system like NetSuite, health care management organizations can bring all of their reporting, purchasing/procurement, financials and accounting onto one platform.

"Trying to do consolidated financials is a nightmare," said Dunphy. "That's where NetSuite steps in." The cloud ERP also helps those companies grow their practices in the way that they intended. For example, when a patient gets a flu shot, his or her insurance company is billed for a portion of the charge (e.g., a $100 flu shot may be paid in part by the patient [$20 co-pay] and the rest by the insurance company). This process is managed through a database that records patient revenues, deductibles and allowances. "The more patients the clinic can put into the system," said Dunphy, "the better its contract rates will be."

Knowing this, Nolan Business Solutions sets up NetSuite in a way that enables data extraction from the clinic's billing system—via an application programming interface (API)—and into a NetSuite-ready journal entry. "The administrator pushes a button and a file is generated," said Dunphy, whose team has years of experience working in the health care field helping organizations consolidate and digitalize operations.
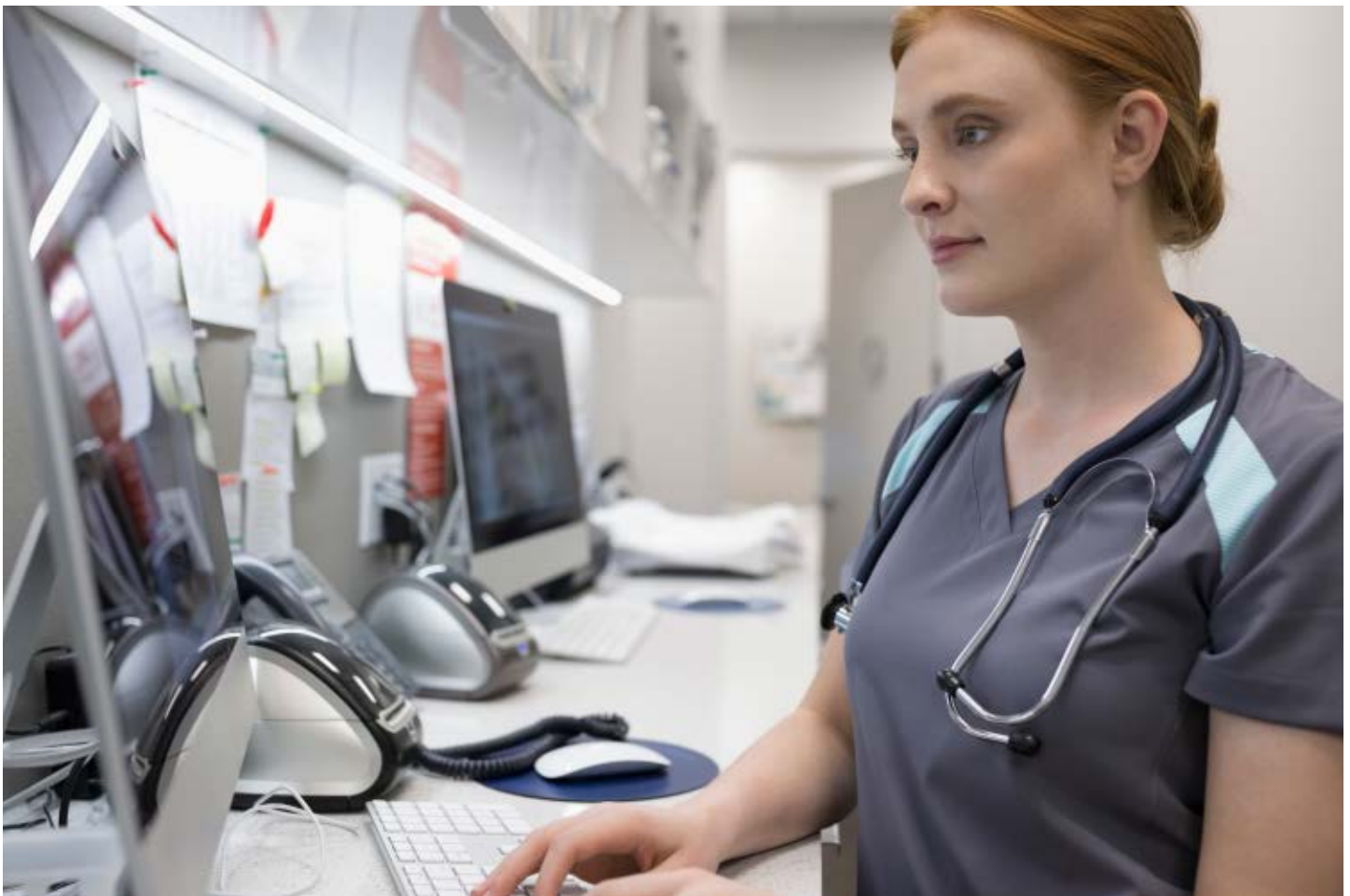
PLUG, PLAY AND GO

With its plug-and-play chart of accounts and a financial reporting structure that caters to health care management companies, Nolan Business Solutions recently completed onsite implementations for two different Texas-based entities, one of which previously employed its staff consultant, Mandy Voith. The implementations typically take 90-120 days to complete and include easy customizations and financial reporting structure.

A NetSuite partner since 2006 and a NetSuite Partner Advisory board member, Nolan Business Solutions has developed a proven process for supporting health care management implementations.

It's industry-specific offerings include:

- Chart of Accounts to address special accounting requirements (revenue accounting, ownership distributions, Intercompany)

- Entity and clinics hierarchy

- Multi-subsidiary accounting (due to/due from entities)

- Inventory (drugs and non-inventory items)

- Knowledge of the process of using billing companies for patient revenue

"Because we have experts on our team who know the ins and outs of the health care management space. We also assist with the actual work rather than just showing customers the basics and then leaving them to do it on their own." — **Diana Dunphy,** NetSuite Consultant, Nolan Business Solutions

Nolan Business Solutions' chart of accounts is continually honed and updated to ensure that it meets the needs of today's health care management organizations. "We know our customers' financial structures and how to slice and dice their accounts," said Dunphy. "Working closely with our clients, our chart of accounts just keeps getting better and better."

Nolan Business Solutions also helps clients manage:

- Legacy system trial balance entries

- Vendor and customer imports and clean up for consistency

- Inventory (if applicable)

- Saved searches

- .csv imports

- Onsite support (as needed)

- Provide plug-in solutions like:

  o Advanced bank reconciliation

  o MICR printing

  o Electronic payments

QUESTCARE SAVES $1 MILLION IN OUTSOURCED CPA COSTS

A physician-led group that began delivering quality medical services in 1996, Questcare has since grown into a multi-specialty practice comprising more than 750 providers in 56 facilities across multiple states. The organization had long relied on an external CPA firm to manage its accounts receivables and accounts payables using QuickBooks.

As the practice grew and the work burgeoned, the CPA firm suggested Questcare bring its accounting functions in house. At the same time, the company's executive team was preparing to sell the company, which meant it needed a professional finance operation. The company went in search of an ERP system that could manage its financial operations including general ledger, accounts receivable/accounts payable, check writing and journal entries.

The ERP system would need to manage the company's 26 different entities, allow it to easily onboard new entities and help it create consolidated statements. Since Questcare had previously outsourced accounting, it had no policies, procedures and processes in place.

It needed help designing health care-specific accounting processes and configuring the software to match.

Questcare chose to implement NetSuite with Nolan Business Solutions for its industry expertise and previous positive experience with the company. Nolan designed the appropriate business processes, set up the hardware, implemented the software and trained users.

"I can't stress enough the importance of having a resource that knows the business, what to ask, how to get the right answers and what might be missing ahead of the build. Nolan really understands how health care financial processes work."

— **Mandy Voith,** Nolan Business Solutions Staff Consultant, Questcare

The implementation took only three months. Without Nolan Business Solutions, Voith said the software setup alone would have taken at least six. "That doesn't take into account recommendations based on prior experience that wouldn't have been brought to our attention," she added. "Without that guidance, it would have taken more than a year to get the system running the way we wanted it."

As a result of its customized NetSuite implementation, Questcare successfully brought its accounting/finance functions inhouse.

With its previous system, processes and controls were manually replicated across all 26 of Questcare's transactional entities. Today, NetSuite provides templates and forms that can be modified as needed to avoid recreating each entity from scratch.

NetSuite also attaches W-9s and invoices to vendor records—a process that previously was managed manually. This centralized repository has boosted efficiency and consistency across the organization, ensuring greater validity for financial outcomes, according to Voith.

Questcare also reduced expenses by moving its finance functions inhouse. "Our CPA costs close to $1 million per year," said Voith. "Using NetSuite and an in-house accounting department, we reduced our consulting costs tenfold while taking on cash management and reconciliations and other tasks we couldn't perform previously."

A TAILORED SOLUTION

Physician's group practices have long faced strong pressure to grow, with many of them turning to the health care management organization model to enable better economies of scale while serving a larger swath of patients. Expansion allows practices to achieve critical mass to gain leverage with payers as well as better respond to mandates to adopt quality-based reimbursement, risk contracts and accountable care models.

Following this trend, organizations like Questcare have significantly increased both their services and geographic coverage over the past decade. With this growth comes new challenges, many of them related to accounting and financial management. By implementing a unified cloud ERP and working with a provider like Nolan Business Solutions, health care management organizations get a solution that's tailored to their industry and to their individual businesses.

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